



Senate

File No. 781

General Assembly

January Session, 2005

(Reprint of File No. 243)

Substitute Senate Bill No. 1254
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 19, 2005

AN ACT CONCERNING THE OWNERSHIP OF REAL ESTATE BROKERAGE COMPANIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 20-312 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2005*):

3 (a) No person shall act as a real estate broker or real estate
4 salesperson without a license issued by the commission, unless exempt
5 under this chapter. The Commissioner of Consumer Protection may
6 enter into any contract for the purpose of administratively processing
7 the renewal of licenses on behalf of the commission.

8 [(b) No partnership, association or corporation shall be granted a
9 real estate broker's license, unless every member or officer of such
10 partnership, association or corporation who actively participates in its
11 real estate brokerage business holds a license as a real estate broker,
12 and unless every employee who acts as salesperson for such
13 partnership, association or corporation and every salesperson who is
14 affiliated with such partnership, association or corporation as an

15 independent contractor holds a license as a real estate salesperson. A
16 partnership, association or corporation shall designate in its
17 application the individual who is to serve as broker under the license.]

18 (b) The practice of or the offer to practice real estate brokerage
19 business in this state by individual licensed real estate brokers or real
20 estate salespersons as a corporation, limited liability company or
21 partnership, a material part of the business of which includes real
22 estate brokerage, is permitted, provided (1) the personnel of such
23 corporation, limited liability company or partnership who engage in
24 the real estate brokerage business as real estate brokers or real estate
25 salespersons, and the real estate brokers whose ownership, control,
26 membership or partnership interest is credited toward the
27 requirements of subdivision (3) of this subsection, are licensed or
28 exempt from licensure under this chapter, (2) the corporation, limited
29 liability company or partnership has been issued a real estate broker
30 license by the commission as provided in this section and has paid the
31 license or renewal fee required for a real estate broker's license as set
32 forth in section 20-314, and (3) except for a publicly-traded corporation
33 (A) with respect to a corporation other than a nonstock corporation,
34 one or more real estate brokers own or control fifty-one per cent or
35 more of the total issued shares of the corporation, (B) with respect to a
36 nonstock corporation, one or more real estate brokers constitute at
37 least fifty-one per cent of the members of the nonstock corporation, (C)
38 with respect to a limited liability company, one or more real estate
39 brokers own or control at least fifty-one per cent of the interest in the
40 limited liability company, as defined in section 34-101, or (D) with
41 respect to a partnership, one or more real estate brokers' partnership
42 interest, as defined in section 34-301, constitutes at least fifty-one per
43 cent of the total partnership interest. No such corporation, limited
44 liability company or partnership shall be relieved of responsibility for
45 the conduct or acts of its agents, employees or officers by reason of its
46 compliance with this section, nor shall any individual practicing real
47 estate brokerage be relieved of responsibility for real estate services
48 performed by reason of the individual's employment or relationship

49 with such corporation, limited liability company or partnership. The
50 Real Estate Commission may refuse to authorize the issuance or
51 renewal of a license if any facts exist that would entitle the commission
52 to suspend or revoke an existing license.

53 (c) A corporation, limited liability company or partnership desiring
54 a real estate broker license shall file with the commission an
55 application on such forms and in such manner as prescribed by the
56 Department of Consumer Protection. Each such corporation, limited
57 liability company or partnership shall file with the commission a
58 designation of at least one individual licensed as a real estate broker in
59 this state who shall be in charge of the real estate brokerage business of
60 such corporation, limited liability company or partnership in this state.
61 Such corporation, limited liability company or partnership shall notify
62 the commission of any change in such designation not later than thirty
63 days after such change becomes effective.

64 (d) The Real Estate Commission may impose a fine of not more than
65 one thousand dollars on any corporation, limited liability company or
66 partnership that engages in real estate business without a license
67 required by this section.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2005	20-312
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The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 06 \$	FY 07 \$
Consumer Protection, Dept.	GF - Revenue Impact	Potential Minimal	Potential Minimal

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill as amended reduces from \$2,000 to \$1,000 the fine the Real Estate Commission may impose on a corporation, or partnership that engages in a real estate business without a license. The bill also establishes a maximum fine of \$1,000 on an LLC that does so. Such fines are deposited into the Real Estate Guaranty Fund, a fund used to compensate persons aggrieved by certain violations of real estate laws. Currently, the balance of the Real Estate Guaranty Fund is \$500,000. To the extent that the bill changes the fine structure regarding violations of certain real estate laws, the bill could result in a minimal revenue impact.

House "A" makes various changes regarding the practice of real estate brokerage in the state and has no fiscal impact.

OLR Bill Analysis

sSB 1254 (as amended by House "A")*

**AN ACT CONCERNING THE OWNERSHIP OF REAL ESTATE
BROKERAGE COMPANIES****SUMMARY:**

This bill eliminates the requirement that every member or officer of a corporation, association, or partnership that holds a broker's license who actively participates in its brokerage business be licensed as a real estate broker. It thus permits licensed real estate salespersons to be owners, members, partners, and officers of real estate brokerages. The bill specifies that limited liability companies (LLC) may be granted a real estate broker's license and requires that brokers own or control at least 51% of the corporation, partnership, or LLC that is licensed as a broker.

The bill requires each such corporation, LLC, or partnership that wants a real estate broker license to apply to the Real Estate Commission in whatever manner the Consumer Protection Department prescribes. It also requires corporations, LLCs, and partnerships that have real estate broker licenses to (1) designate at least one licensed real estate broker to be in charge of the real estate brokerage business and (2) notify the commission of any change in the designation within 30 days after the change becomes effective.

The bill reduces, from \$2,000 to \$1,000, the maximum fine the commission may impose on a corporation or partnership that engages in real estate business without a license, and establishes a maximum fine of \$1,000 on an LLC that does so.

*House Amendment "A" requires that, for licensed brokers and salespersons to engage in the business of real estate brokerage as corporations, LLCs, and partnerships, one or more licensed or exempt broker must constitute at least 51% of a non-stock corporation's members, or own or control at least 51% of a stock corporation's issued shares, a LLC's ownership interest, or a partnership's ownership interest.

EFFECTIVE DATE: October 1, 2005

**REAL ESTATE BROKER'S LICENSE FOR A CORPORATION, LLC,
OR PARTNERSHIP**

Under current law, partnerships, associations, or corporations may not be granted a real estate broker's license unless (1) every member or officer who actively participates in its brokerage business is licensed as a real estate broker and (2) every employee who acts as a salesperson and every salesperson who is affiliated as an independent contractor, is a licensed real estate salesperson. The business must designate in its application an individual to serve as broker under the license.

The bill allows both licensed brokers and salespersons to engage in the business of real estate brokerage as corporations, LLCs, and partnerships if:

1. the personnel who engage in the real estate brokerage business as real estate brokers or real estate salespersons, and the brokers who counted as owners or members of such corporations, LLCs, and partnerships are licensed or exempt from licensure;
2. the corporation, LLC, or partnership has been issued a real estate broker license and has paid the license or renewal fee; and
3. one or more brokers constitute at least 51% of a non-stock corporation's members, or own or control at least 51% of a stock corporation's issued shares, a LLC's ownership interest, or a partnership's ownership interest.

The bill specifies that (1) no corporation, LLC, or partnership is relieved of responsibility for the conduct or acts of its agents, employees, or officers because they complied with the bill and (2) no individual practicing real estate brokerage is relieved of responsibility for real estate services performed because of his employment or relationship with such a corporation, LLC, or partnership.

The bill authorizes the commission to refuse to authorize the issuance or renewal of a license for any reasons for which it may suspend or

revoke a license.

BACKGROUND

Real Estate Commission — Authority to Impose Fines

The commission may temporarily suspend or permanently revoke any real estate broker's license and, in addition to or in lieu of such suspension or revocation, may, in its discretion, impose a fine of up to \$2,000 when, after a hearing, the commission finds that the licensee has violated any real estate broker law or regulation (CGS § 20-320).

Related Declaratory Ruling

The commission, in a declaratory ruling dated July 19, 2002, ruled that each owner who actively engages in the management or control of a brokerage business must be individually licensed as a broker.

Association

Connecticut law does not define the term "association" for purposes of the real estate broker laws. Black's Law Dictionary (Seventh Edition), defines "association" as an unincorporated business organization that is not a legal entity separate from the persons who compose it. It defines "professional association" as a group of professionals organized to practice their profession together, though not necessarily in corporate or partnership form.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 16 Nay 0

General Law Committee

Joint Favorable Report

Yea 14 Nay 0